

Difference Between Banks and NBFC



Banks and NBFC (Nonbanking financial banking company) are the key financial intermediaries which offer the same services to the customers. Finance is the basic requirement of an individual as well as businesses. NBFC is a compliment to the bank because banks alone are not able to serve the requirement of all.

Banks

- Banks are the financial institutions which are empowered by the government to do financial activities like to accept a deposit, Grant credit, to manage withdrawals pay interest, to clear cheques, to provide general services to the clients.
- Banks are the top organization which controls the whole financial system of the country.
- Banks act as a financial mediator between the depositors and the borrowers.
- Banks are responsible for the creating credit, mobilization of funds, safe and time bound transfer of finance.
- Banks help in smooth functioning of the economy.

NBFC

- NBFC is a company which is registered under the companies act, 1956 and it is under the control of central bank (Reserve bank of India).
- NBFC is not a bank but it is engaged in a lending fund as well as many other activities which are similar to banking like to provide loans and advances, credit facility, saving and various schemes etc.

- NBFC also provides services to the business corporation like an acquisition of shares, stocks, debentures, bonds, and securities issued by the government.
- It also facilitates services like hire purchase, leasing, venture capital finance, housing finance, and insurance

Difference between Banks and NBFC

Basis	Banks	NBFC
Meaning	Bank is a government entitled financial intermediary which aims to provide banking services to customers.	NBFC is a company which provides services similar to banking services to people without holding a bank license.
Registered under	A bank is registered under banking regulation act, 1949.	NBFC is registered under company's act 1956.
Deposit	Banks accept and lend deposit.	NBFC do not accept and lend deposit.
Investment	In banks a foreign investment is limited up to a certain fixed limit.	In NBFC, Foreign investment is allowed up to 100 percent.
Payment system	Payment and settlement is the core activity of banks.	In NBFC, the payment system is not a part of the activity.
Demand draft	Bank can issue self-demand draft on itself.	NBFC cannot issue self-demand draft their own.
Cheque drawn	Banks can draw a self-cheque by their own.	NBFC cannot draw self-cheque their own.
Credit creator	Banks can create credit through multiplier financial activities.	NBFC cannot do it.
Transaction services	Bank provides a variety of transaction services.	NBFC does not facilitate transaction services.